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Special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, held on 18 April 2000

Note by the Secretary-General

The Secretariat hereby circulates for the information of the Economic and Social Council an informal summary of the special high-level meeting of the Council with the Bretton Woods institutions, held on 18 April 2000 (see annex).

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Annex

Summary of the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions (New York, 18 April 2000)

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I. Background

1. The General Assembly, in annex I, paragraph 88 of its resolution 50/227 on revitalizing the United Nations in the economic and social fields, recommended that the Economic and Social Council schedule periodically a high-level special meeting at a time proximate to the semi-annual meetings of the Bretton Woods institutions. The Council subsequently held high-level special meetings with the Bretton Woods institutions in 1998 and 1999. In response to the 1999 high-level meeting, the General Assembly encouraged the deepening of the dialogue between the Economic and Social Council and the Bretton Woods institutions in order to promote the wide range of reforms needed in an international financial architecture that reflects the global interests of the international community, and recommended that their next high-level meeting give priority to the consideration of the modalities needed to achieve a strengthened and more stable international financial system responsive to the challenges of development, especially in the developing countries, and to the promotion of economic and social equity in the global economy (see General Assembly resolution 54/197).

2. The third special high-level meeting of the Economic and Social Council with the Bretton Woods institutions was held on 18 April 2000. The meeting addressed the theme of strengthening international financial arrangements and eradicating poverty. The meeting brought together policy makers in the areas of development cooperation, foreign affairs and finance for a dialogue in the Council. Along the lines of the two previous meetings, the high-level meeting of the Council was in the form of a free-flowing dialogue between a panel composed of Tarrin Nimmanahaeminda, Minister of Finance of Thailand, Chairman of the Development Committee; Stanley Fischer, Acting Managing Director of the International Monetary Fund (IMF), who also reported on the outcome of a recent meeting of the International Monetary and Financial Committee; Germán Suárez, President of the Central Bank of Peru, Chairman of the Group of Twenty-Four; and Ulrich Gygi, Secretary of State of Finance, representing Switzerland as the country chairing the Group of Ten. The meeting was opened by the Secretary-General of the United Nations and chaired by the President of the Council.

3. The present report provides a synopsis of that 18 April 2000 meeting, and summarizes the salient points and main aspects of the statements that were made and exchanges of views that took place at the meeting.

4. It is hoped that this summary will deepen the understanding of the main issues related to the reform of the global financial system and development, in the broader context of the commitment to fighting poverty in developing countries.

II. Opening statements

President of the Economic and Social Council

5. The President of the Economic and Social Council welcomed the participants and stressed that the presence of high-level policy makers — in charge of the economy and finance, development cooperation and foreign affairs — indicated a strong and broadly shared desire to work together to achieve common goals. Such goals could only be realized if they inspired action and implementation, and if they actually worked together in mutual partnership.

6. At the start of the twenty-first century, the world economy was dominated by globalization and interdependence. The lessons of Seattle pointed to the need for increased inclusion. Thus, the need for international cooperation had rarely been greater.

7. The war on poverty was not being won. Nor was inequality being conquered. Rather, more countries than ever were being excluded from the onrush of the new global economy. Yet, globalization was here to stay and it was a common duty to ensure that it became a positive force for the poor everywhere.

8. The General Assembly had invited those present in the high-level meeting to explore ways to strengthen and make more stable the international financial system, and to be more responsive to the challenges of development and to the promotion of economic and social equity in the global economy. Inclusion, participation and a greater share in the global decision-making process was a great challenge facing the international community in the twenty-first century.

9. There was much hope in the forthcoming high-level event on financing for development that the General Assembly was preparing to convene in 2001. The event was expected to address a broad range of

issues related to the financial architecture, sustained financial flows for development, a comprehensive debt strategy and a focus on poverty eradication. The full participation in the event by all Governments was important as well as the active support of the Bretton Woods institutions.

10. A stable international financial system responsive to development was a key part of a global partnership to eradicate poverty. Poverty eradication was taking centre-stage of agreed agendas worldwide. The approaches of the United Nations and the Bretton Woods institutions to eradicate poverty were increasingly in unison.

11. The impending debate in the high-level meeting showed the important role that the United Nations and the Economic and Social Council had to play in promoting dialogue and discussion in forging a consensus on world economic and social issues.

Secretary-General

12. The Secretary-General of the United Nations welcomed the colleagues from the Bretton Woods institutions. He said it had never been clearer that the peoples and nations of the world and the institutions created to serve them were engaged in a common mission. The chance of achieving shared objectives would be much greater if there was close cooperation among these institutions.

13. In an age when globalization and new technology were bringing unimaginable benefits to one part of humankind, by most reckonings, the larger part remained excluded from those benefits, subjected to a life of grinding poverty. There was a recognition not only of the duty to change this state of affairs but also a shared interest in doing so.

14. In his report entitled "We the peoples: the role of the United Nations in the twenty-first century" (A/54/2000) (Millennium Report), he had proposed reducing by half, before the year 2015, the proportion of people in the world living on $1 a day or less. That was an optimistic objective since in sub-Saharan Africa it could be achieved only with an economic growth rate far above any that the region had managed to date.

15. Policies leading to sustained growth were critical. All the evidence showed a strong correlation between economic growth and the incomes of the poor. Policies should strive to encourage private investment; create job opportunities; harness the power of new information technologies; and improve the effectiveness and transparency of Governments themselves. There must be steps to end the war. There was nothing more inimical to growth than armed conflict. In addition, Governments had to face the devastation which human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) was wreaking on their economies and societies.

16. Above all, countries must invest in education. He had urged Member States to endorse the target of universal primary school enrolment by 2015. Two thirds of the more than 110 million children who were not in school were girls. Families must be persuaded that schooling for their daughters was every bit as valuable as schooling for their sons. Next week, in partnership with more than a dozen entities in the United Nations system, including the World Bank, he was launching a new initiative entitled "Educate girls now".

17. No country was likely to fully join the new global economy unless its government and people applied themselves to that task. Yet developing countries needed full and free market access for their products to attract the investments required to achieve high growth and trade their way out of poverty. Only if they were freed from the shackles of debt servicing could the poorest countries devote an appropriate share of their revenue to anti-poverty programmes. Only with generous financial assistance from the industrialized world could countries that had worked hard to reform their economies provide their poor citizens with the basic social services.

18. The Millennium Report had sought to mobilize the world's energy around a common, achievable agenda. Finance ministers and development cooperation ministers had a crucial role to play, especially as intensive consultations on a high-level intergovernmental event on financing for development continued. The work of finance ministers today encompassed a broad canvas; they were not being asked simply to fund this or that programme but to help find solutions.

19. The Secretary-General added that ministers had recently witnessed in Washington, D.C., the vehemence with which people were debating the merits and demerits of globalization, making demands on international organizations and telling what more

should be done. There was a need to turn that ferment, that confrontational energy into something constructive that benefited all people and which all people could support.

Chairman of the Development Committee

20. The Chairman of the Development Committee noted that the theme which ran virtually the entire agenda of the Development Committee meeting the previous day had been poverty reduction. On the eve of the meeting a broad-ranging discussion had taken place in which the President of the World Bank and the Acting Managing Director of IMF had participated. The exchanges of the Committee had been comprehensive and often provocative; perhaps future discussions of the group could prove helpful to the preparation of the financing for development event.

21. It had been encouraging to hear from finance and development ministries on the AIDS crisis. HIV/AIDS weakened economic growth, governance, human capital, labour productivity and the investment climate, thereby undermining the foundations of development and poverty reduction. Ministers had supported a global strategy, which placed requirements for action on all key actors, including the national authorities. The President of the World Bank had committed the Bank to funding any viable AIDS projects that members might propose. The participation of the World Bank in the Joint United Nations Programme on HIV/AIDS (UNAIDS) partnership had been especially welcomed; the UNAIDS Director, Peter Piot, had made an excellent contribution to the discussion.

22. In addressing the interrelationships among trade, development and poverty reduction, the Development Committee had noted that accelerated and sustainable growth was a necessary condition for reducing poverty, and that more open economies tended to grow faster than closed economies. Industrialized countries had been urged by several members of the Development Committee to open their markets wider for products of poor countries, particularly agricultural commodities and textiles. While the need for developing countries to reduce trade barriers would not be neglected, many ministers had stressed the increasingly wide "trade divide" between unequal partners. Thus, special consideration should be given to extend to the poorest countries comprehensive and predictable duty and quota-free market access. Since a large number of poor countries were not integrating successfully into the international trading system because of the absence of adequate infrastructure, institutions and social programmes, the efforts of these countries to expand trade should be integrated into a comprehensive framework for development.

23. Ministers had been pleased at the progress achieved since the inception of the poverty reduction strategy papers (PRSPs). They urged the World Bank and IMF to continue to work collaboratively with member Governments and other development partners to help develop these strategies. Since country ownership was the most critical feature of these strategies, the advice of the Bretton Woods institutions needed to be provided with care and sensitivity. Regarding the tension between moving between having properly developed poverty reduction strategies and quicker heavily indebted poor countries (HIPC) debt relief, interim measures had been introduced for use during a transition period. An important feature of the discussion was the encouragement to bilateral and multilateral agencies to increasingly align their assistance programmes to these strategies, thereby strengthening donor coordination and reducing excessive burdens on developing country Governments.

24. In concluding, the Chairman of the Development Committee noted that the recent discussions of the Committee had reflected the daily work of the World Bank and IMF, often in close partnership with United Nations agencies. What was going on in the streets near such discussions had led ministers to stress the importance they attach to preserve and further strengthen the family of multilateral institutions as a powerful force for global progress, equity and stability.

Acting Managing Director of IMF

25. The Acting Managing Director of IMF presented the results of the recent meeting of the International Monetary and Financial Committee, formerly the Interim Committee. The discussion on the global economic outlook had indicated an increase in world growth, with no significant increase in underlying inflation. The global growth rate in 2000 was expected to be 4.2 per cent, the highest in 10 years.

26. In its discussions on globalization and the poverty issue, the Committee had emphasized the need to complete funding for the HIPC initiative. It had to be recognized that regional banks did not have enough

funds to contribute to the initiative. Regarding development, there had been no successful growth strategies that had not involved integration into the world economy. There was a need for further trade liberalization in developed countries, in particular for enhanced market access to poor countries. Coherence between market access and debt relief to assist HIPCs was necessary.

27. On the issues and questions raised in the note by the Secretary-General on strengthening international financial arrangements and addressing poverty (E/2000/8), the Acting Managing Director of IMF noted that surveillance by IMF had expanded markedly and that work on standards and codes had progressed significantly. The International Monetary and Financial Committee had not accepted recent proposals to narrow the functions of IMF. The Fund was also concerned about representation issues in some international financial forums, such as the Financial Stability Forum. But it should be noted that the views of the latter were also submitted to IMF. There had also been significant progress on issues regarding private sector involvement in crisis resolution. On transparency, there had been major changes: IMF now published almost everything, as opposed to five years ago, when it published almost nothing.

Chairman of the Group of Ten

28. The Chairman of the Group of Ten said that the Asian financial crisis revealed weaknesses in domestic financial structures. Work was still necessary to identify vulnerabilities. Progress achieved in discussions on codes of good practices and increased transparency should be accompanied by efforts at implementation. Prudential financial indicators were important for emerging developing markets, particularly since the private sector must be able to evaluate risks.

29. Generally, building up short-term debt was not sustainable. Once a financial crisis erupted, IMF had an important role to play. It was also necessary to involve the private sector when huge amounts were involved. This suggested to involve the private sector when reforms were being considered.

30. A more stable international financial system would be beneficial to all. He agreed with the Acting Managing Director of IMF on the need for participation of developing countries in international forums. The Bretton Woods institutions were the right place for discussing far-reaching reforms since they were really representative. While the voice of civil society also should be heard in international forums, there was still the issue of legitimacy of some groups that should be resolved at the national level.

31. Protection of the poor from financial shocks was crucial. While short-term debt should not pile up, the Bretton Woods institutions should play their role in poverty alleviation. PRSPs allowed countries to do more long-term development planning, and within a macro-stability framework had the potential to increase the efficiency of aid. Increased aid efficiency and good governance were key to overcoming the aid fatigue of donor countries.

Chairman of the Group of 24

32. The Chairman of the Group of 24 said that the global economic outlook provided an optimistic prospect but significant risks persisted: an uncertain response of the Japanese economy to fiscal stimulus and a possible hard landing of the United States economy. Growth in developing countries had been better than expected but the recovery had been uneven. Appropriate financial policies of developed countries, particularly less reliance on high interest rates, could contribute significantly to poverty reduction and faster economic growth in developing countries.

33. The strengthening of the international financial architecture remained an important task. Much work was necessary to reduce vulnerabilities in emerging market economies derived from abrupt changes in capital flows and terms of trade. IMF surveillance should be applied to all members, with special attention to the international implications of the domestic policies of the largest economies. In the same vein, transparency and good practices should be followed by all countries. Yet observance of international standards should be voluntary, depending on the conditions of individual countries.

34. Regarding the involvement of the private sector, an operational framework to prevent and resolve financial crises should be developed. IMF should continue to play an advisory role in resolving financial crises, facilitating debt restructuring between creditors and debtors. The IMF facilities needed some streamlining and were important for addressing

imbalances. The Contingency Credit Line needed a review to be more useful.

35. The Group of 24 supported the work of the Bretton Woods institutions. It was important to strengthen them as key international institutions. A quick completion of the required financing for the HIPC initiative was critical. Burden-sharing needed to be equitable and more bilateral resources were necessary for IDA and regional development banks to make progress in the HIPC initiative.

36. In concluding, the Chairman of the Group of 24 urged donor countries to increase official development assistance (ODA).

III. The dialogue

37. After the introductory statements a rich dialogue ensued, in which ministers of finance, ministers of development cooperation and a total of 27 permanent representatives took the floor. The speakers focused on the set of issues brought up in the introductory statements, as well as the note by the Secretary-General on strengthening international financial arrangements and addressing poverty (E/2000/8), which addressed two subjects: reform of the global financial system and fighting poverty in developing countries. Four main themes emerged from the deliberations: the state of the world economy, globalization and international trade; strengthening the global financial system; development and poverty reduction; and the institutional dimensions to promote faster economic growth and enhance international cooperation for development.

A. State of the world economy, globalization and international trade

38. The world economy had started to recover in 1999. The prospects, as perceived by most participants, were for an even stronger growth in 2000. Yet significant risks existed that called for judicious policies in the largest industrialized countries. The current recovery, although present in both the North and the South, was uneven. Some developing countries had not benefited, and in several of those whose economy was expanding per capita incomes were still below pre-crisis levels.

39. A positive feature was the worldwide decline in inflation and, with a few exceptions, narrowing of imbalances. Several participants stressed that it was necessary to continue to manage macroeconomic policies carefully to ensure sustained and widespread economic growth. This was especially true of large industrialized countries with a considerable weight in the world economy. In the United States, monetary and fiscal policies should remain prudent. European countries, besides maintaining cautious macroeconomic policies, should make further progress in labour, capital and product-market reforms to ensure that the pace of growth was sustained. In Japan, macroeconomic policies should be supportive of aggregate demand until recovery in domestic consumption and investment was firmly established.

40. In the light of those recent positive developments, according to many ministers, the persistence of marginalization, exclusion and inequality among countries was striking, as was the increasing number of poor in the world. The situation in Africa and many other poor countries was still a cause for particular concern. Globalization was not leading to equitable development. Benefits of increased integration into the world economy were concentrated in a few countries, particularly those more technologically advanced. The new global economy was based on information. According to some speakers, it was necessary to end the dominance of a few countries in information technology and widen the access to all countries.

41. A number of participants underlined the strong link between globalization and change. Globalization diminished boundaries. It implied the sharing of ideas and facilitated the adoption of best practices. It promoted social equality and development. It spurred growth, which was critical to poverty alleviation since no substantial alleviation of global poverty could be achieved without sustainable economic growth.

42. Since many developing countries were encountering problems in taking advantage of the globalized financial markets and information technology, the need for international cooperation had grown. Several ministers said that globalization had transformed the context of the United Nations role in development. The United Nations and the Bretton Woods institutions must work together to spread the benefits of globalization and to bring them to the poor.

43. The ongoing world economic recovery was leading to increased international trade and some improvements in commodity prices. Yet the results of liberalization for developing countries were not yet clear. Support for opening trade further still hinged on tangible results from past liberalization efforts. Some ministers pointed out that developed countries too often preached openness while protecting their own markets.

44. Trade expansion was seen by many ministers as critical for development and poverty reduction. International trade was particularly important for small- and medium-sized economies, especially for landlocked countries and more vulnerable countries, such as small island States. A number of ministers underlined the need to truly open the markets of developed countries to developing countries products. Ensuring a wider market access to poor countries and least developed countries was a crucial step to facilitate poverty eradication, especially for highly indebted poor countries. Solving the debt problem and alleviating poverty required progress on both fronts: debt relief or debt forgiveness and increased exports.

B. Strengthening the global financial system

45. Several speakers stressed that the reform of the international financial system was necessary to enable developing countries to benefit from globalization. According to many participants, the views of the International Monetary and Financial Committee of IMF on the directions in which IMF and the international financial system should evolve deserved full support. The environment was changing rapidly, so further steps were required. An important consideration was that the financial system had to be more responsive to the challenges developing countries were facing and to achieving the goals agreed at the global conferences of the 1990s.

46. More progress was needed to better prevent and address financial crises, according to many speakers. Several participants stressed the need for reform of the domestic financial system, appropriate sequencing of capital account liberalization and sound liability management. IMF surveillance was a main tool to prevent crisis but should apply to the policies of all countries. Many speakers underlined the importance of regulations for and capacity-building in the banking system and other financial institutions of developing countries.

47. In improving the system, the formulation and adoption of codes and standards in the financial and corporate sector were important to reduce instability. Several ministers underlined that in the context of its surveillance function IMF should promote transparency and the implementation of internationally agreed codes and standards. Yet a number of participants stressed that while formulating rules and standards it was important to take into account the concerns of all countries, large and small, including developing countries. Codes and standards of prudential conduct — essential for financial stability — needed to be prepared in a more democratic way to ensure that they were adapted to different countries' situation and that countries considered them to be legitimate. Still, for some participants, the adoption of these codes and standards should remain a voluntary choice.

48. There was widespread agreement on the need to strengthen the family of international financial institutions. Several ministers underlined that the global conferences of the 1990s should be an overarching objective of the Bretton Woods institutions. A key focus of the World Bank should be poverty reduction. IMF had a key role in maintaining international financial stability, surveillance and catalytic support for countries to regain balance-of-payments equilibrium or to maintain or to regain access to capital markets.

49. The general view was that it was not advisable to reorient IMF towards short-term lending. While some streamlining of facilities was needed, the current programme of IMF deserved support. Some delegations felt that IMF's provision of short-term resources to confront a crisis in a member country should not be limited as it is at present. A view was also expressed that IMF should concentrate on macroeconomic issues as part of a new division of labour between IMF and the World Bank. The focus of the World Bank on poverty eradication and human-centred development was supported strongly by most speakers. Its work was complementary to IMF. Collaboration and harmonization between the two were therefore crucial to prevent duplication of work and inefficient policies.

50. Private financial flows had become a major share of total financial flows among countries. Many participants called for more involvement of the private

sector in the prevention and resolution of financial crises. This should help to avoid moral hazard and to facilitate more orderly adjustment in countries facing payments problems.

51. In the view of many ministers, the upcoming high-level international intergovernmental event on financing for development presented a momentous opportunity to deal with the issues discussed above. The process was a propitious occasion to address economic and social development in a coherent fashion and bring together the Bretton Woods institutions, the World Trade Organization (WTO), the regional development banks and other relevant stakeholders involved in international development cooperation to work together in innovative ways; each had key pieces of the international development system and the process could pull these pieces together.

52. The high-level event was expected to address a broad range of issues, including the international financial system, sustained financial flows for development, a comprehensive debt strategy, and poverty eradication. Many participants emphasized the importance of addressing burden-sharing between creditors and debtors; coherence between international trade, financial and monetary systems; governance of the international financial system; and responsiveness to the challenges of development.

53. The shaping of the financing for development process was a task of all those present at the meeting. A broad participation was important. The Bretton Woods institutions should feed their agendas into the process. In the view of several participants, without the involvement of the Bretton Woods institutions the process would be meaningless. It was hoped that the World Bank and IMF would support the initiative and participate actively. The Executive Board of the World Bank had proposed constructive modalities for participation and collaboration. It was proposed that equally effective modalities would be suggested and approved by IMF and WTO.

54. The participation of other stakeholders — the private sector, non-governmental organizations — was also important. Also, regional frameworks and their related activities should constitute necessary building blocks for the process. In terms of guiding overall objectives, some ministers stressed the principle of equity as a key consideration as well as taking into account the outcome of the social summit and other global conferences.

55. Several participants emphasized that the United Nations had a central role to play in fostering international dialogue and cooperation and global governance. The United Nations had a comparative advantage in terms of its leadership in social policy, and should use its comparative advantage to design an international financial strategy with social impact.

C. Development and poverty reduction

56. Sustained development and poverty eradication required high economic growth and targeted programmes for the poor. To achieve this, many countries needed additional international support. Increasing ODA was necessary. Several ministers stressed that a major effort should be deployed to attain the international ODA target.

57. A number of participants noted that the social perspective was key to the work of the Bretton Woods institutions. It was stressed that the resources should be channelled to the poorest countries. Fighting poverty in an era of wealth and prosperity was an imperative, but wars were blocking the poverty eradication cause. It was thus crucial to address the reduction in military expenditures.

58. The common country assessment, the United Nations Development Assistance Framework (UNDAF), the comprehensive development framework and PRSPs were promising tools in the emergence of a new development system. For these tools to work, multilateral institutions and donor countries must pool their resources and harmonize their efforts, while recipient countries must take the lead in overall coordination. Ownership by the recipient country was critical. Indeed, UNDAF and CDF as well as PRSPs were intended to help countries to define their own strategies. While aid was important, countries themselves were the principal agents in their own restructuring. National policies were key to development. Good governance and institution-building were crucial to the success of economic and social reform and helped countries to effectively use scarce resources.

59. In view of the complexity of the PRSPs process, the World Bank and IMF should work together with member Governments and other development partners.

United Nations programmes and specialized agencies should actively assist in formulating and implementing PRSPs if so requested by the countries concerned. UNDP could play an important role in capacity-building and enhancing the public sector capabilities.

60. The IMF role was critical in macroeconomic policy advice. It was also critical that the people affected by the programmes and policies of PRSPs be involved in the formulation process. Several participants pointed out that the European Union was also providing support to reduce poverty in European transition economies.

61. The HIPC initiative was to be seen as a major international effort to promote economic and social equity with a view to eradicating poverty. The proposals by the Bretton Woods institutions and others to make the debt relief under the HIPC initiative deeper, broader and faster were welcome. Germany had decided to forgive all debt of countries in which the HIPC was being implemented, including commercial debt. Some ministries called for more resources to implement the initiative, particularly from Group of Seven countries. Also, the dual objective of moving quickly on implementing the initiative and having high quality PRSPs had led to some tension. Some flexibility was required in the PRSPs process. The limited capacity of a country to develop the strategy should not prevent it from benefiting from debt relief. Furthermore, it was important to develop adequate indicators to gauge how poverty conditions and the number of poor were changing over time.

62. A far greater effort, according to many ministers, was needed to truly open markets to developing country products and give them a chance to grow out of poverty. Proposals to lift barriers on the poorer countries' exports should be strongly supported and acted upon. The commitments in previous trade negotiations should be adjusted to grant free market access to all goods from the least developed countries. Increased access, including quota-free access, essential for poor countries, should also be considered for middle-income countries. In the end, what was crucial for self-reliant development was not aid but trade.

D. Institutional dimensions

63. Collaboration between the Economic and Social Council and the Bretton Woods institutions reflected the need to deal simultaneously with the economic and financial aspects and social dimensions of development in an era of globalization. Global issues and concerns were not bound to be dealt with by one organ exclusively. The boundaries between institutions and fields of responsibility had become more open. Some participants said that the time had arrived for a more fundamental coordination and cohesion between the Security Council, the Economic and Social Council and the Bretton Woods institutions. Progress had to be made in dealing with the link between security and development.

64. Poverty issues were an area in which system-wide cooperation was required. The role of international financial institutions in coping with poverty eradication was beyond doubt. Still, the division of labour among multilateral institutions was important. A number of ministers stressed that a distinct focus for the various institutions was necessary.

65. Many ministers stated the need for equitable and strong representation of all members in international institutions. The same was true for other international rule-making bodies whose proposals or decisions affected the world community at large. In the case of the Bretton Woods institutions, according to some speakers the Group of Seven shared over 46 per cent of the decision-making in these bodies. At the same time, the facilities of the World Bank and IMF were used largely by countries with poor representation. This situation, largely explained by historic reasons, should be re-examined. A number of speakers noted that the existing constituency system of the Bretton Woods institutions gave, in principle, ample opportunity to each member country to present its views. It was thus important to make it work effectively.

66. Globalization and interrelations among the various issues of relevance to the international community had increased the need for coordination. In particular, enhancing coordination between the United Nations and the Bretton Woods institutions, between the latter and WTO and between multilateral institutions and bilateral efforts was critical.

67. The upcoming high-level event on financing for development provided a good opportunity to establish new working modalities between the United Nations, the Bretton Woods institutions and WTO. The approach taken jointly by the United Nations and the World Bank in the context of the financing for development process was an important step forward.

68. At the domestic level, it was noted that only the strongest could afford weak institutions. In developing countries, institution-building was part and parcel of the development process. The lessons in countries with economies in transition had also showed the critical importance of advancing simultaneously in institution-building and macroeconomic and structural policies. Yet institution-building was a long-term process. It was pointed out that cooperation with international organizations to enhance national capacity for institution-building remained a key ingredient for sustainable development.

IV. Concluding remarks

69. After the last speaker, the President of the Council requested the Managing Director of the World Bank to derive key conclusions from the dialogue. He also invited the Chairman of the Development Committee, the Acting Managing Director of IMF, the Chairman of the Group of Ten and the Chairman of the Group of Twenty-Four to reflect on the questions raised by some of the participants.

70. The Managing Director of the World Bank noted that it was clear that the United Nations and Bretton Woods institutions were working in unison. There was a growing consensus on a number of objectives. He pointed out the increasing convergence of views on development and global financial system reform based on a common set of objectives, with poverty reduction as the overarching goal. It could be expected that the financing for development process would bring the United Nations and the Bretton Woods institutions together even further. PRSPs were important for the consideration of debt relief and the latter's link to poverty eradication. He agreed with the participants that the formulation of the strategy implied a trade-off between quality and speed. In any event, partnership and ownership by the recipient country were essential. The formulation of the strategy could provide the context for examining military expenditure.

71. Funding the HIPC initiative was a major challenge. Although $2.4 billion had been pledged, that amount was only a fraction of what was needed over the next few years. The overall debt relief provided amounted to $15 billion and was a crucial part of the process to move ahead. He hoped that the middle-income countries would not participate as beneficiaries of the HIPC initiative but grow out of debt and preserve access to capital markets. In any event, the Paris Club was available to consider their situation.

72. There was a seamless collaboration between the Bretton Woods institutions and WTO. WTO had participated fully in the recent spring 2000 meetings in Washington, D.C. Four areas of work of the Bretton Woods institutions were important in this context: financial support; integrated framework for reviewing country experiences; capacity-building; and strengthening work on research, especially on trade barriers.

73. Commenting on the dialogue, the Chairman of the Group of Ten noted that in the Bretton Woods institutions representation was organized according to economic strength reflected in the quota share. Thus, constituencies were a legitimate form of representation. Institutional rules were well defined. If they became inadequate they should be adapted in a process that should take place within the institutions themselves.

74. With regard to the modalities of IMF participation in the high-level event, the Acting Managing Director of IMF noted that while the Board had not yet discussed the subject, it would find ways to participate in a constructive manner. Referring to trade issues, he pointed out that both trade and aid could help countries that are pursuing good policies. For any country, trade liberalization was one of the best ways to integrate into the global economy.

75. As to the methods of cooperation between the World Bank and IMF, he noted that basic cooperation took place more on an informal basis. In some areas, formal modes of cooperation existed, such as the financial sector committee and the joint implementation committee on the HIPC initiative. With respect to the latter, he noted that IMF had to take into account the social and budgetary implications of the policies to be implemented. While the advice of IMF or the World Bank was important, countries' strategies were more important.

76. Standards and codes of prudential conduct were voluntary. IMF had a programme of financial sector assistance, which was purely of assistance to those countries which had requested them. Turning to the question of military expenditures, he noted that while IMF did not consider what happened with regard to a country's military budget, it did report on military expenditures. That had not previously been accepted as part of the surveillance process but the situation was

changing. He added that it was hard to make the case for debt relief when some countries had massive military expenditures for purposes unknown.

77. The Chairman of the Group of Twenty-Four agreed with the view that donors, especially the Group of Seven, should make greater efforts to fund the HIPC initiative. Regarding trade issues, he stressed that industrialized countries should also liberalize, particularly in the area of agricultural products and textiles.

78. In his closing remarks, the President of the Council noted that the meeting seemed to agree that there was a need to take advantage of the current easing of crises to push ahead in the consideration of further reforms, in a context that would foster the further integration of the developing and transition economies into the global economy. The meeting had welcomed the increased transparency of the international financial institutions. It was also clear that the evolving structure of international institutions was incomplete, in particular as regards involving developing and transition economies in drawing up prudential norms and standards. One fundamental consideration in the United Nations was to see a strong IMF and World Bank since those institutions were essential for global economic and financial stability and for development. The meeting had also reconfirmed the critical role of the private sector in finance and entrepreneurship, whether at national or international levels. A model of responsive involvement of the private sector in national financial development had to be built, during times of economic "boom" as well as to participate in times of economic crisis. At the same time, Governments must play a role that the private sector could not perform, in particular in such areas as fighting poverty or HIV/AIDS, and more generally to work towards the goals of equity and fairness. Governments and multilateral institutions needed to work together to provide free market access to developing countries, particularly the least developed countries. Key commitments agreed at conferences could only be achieved if growth in developing countries was accelerated through sound national policies supported by increased ODA and strengthened debt relief as an integral part of an overall framework for broad-based development. It was hoped that the poverty reduction strategies papers process would work effectively, fairly and expeditiously and would be accompanied by the necessary resource flows, especially for the heavily indebted poor countries. The meeting had demonstrated the value of the high-level dialogue between the United Nations and the Bretton Woods institutions in promoting and deepening understanding between the two sets of institutions. The General Assembly high-level intergovernmental event on financing for development, to be held in 2001, would be the culmination of an open process of interaction with all relevant stakeholders, including the Bretton Woods institutions and civil society, and the President hoped that tnat forum would be fully used.